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**UPP (ALCUIN) LIMITED**

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**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2016**

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**UPP (ALCUIN) LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	R Bailey-Watts J Benkel J Wakeford R Bienfait
<b>Company secretary</b>	J Benkel
<b>Registered number</b>	06077462
<b>Registered office</b>	40 Gracechurch Street London EC3V 0BT
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Milton Keynes

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**UPP (ALCUIN) LIMITED**

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## UPP (ALCUIN) LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2016

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#### Business Review

The Group and Company's principal activity is the operation of student accommodation and the provision of related facilities management services for the University of York under the University Partnerships Programme.

The project comprises 1039 student residential accommodation bedrooms within the University of York main campus.

Both the level of business, achieving full occupancy and the year end financial position were in accordance with the directors' expectations. The directors anticipate that the future level of activity will be in accordance with their expectations and consider that the project will yield returns in line with current forecasts.

Toward the end of the financial year, the impact of the referendum decision to leave the European Union (EU) has also been the focus of much attention across the Higher Education (HE) sector. Following the result, the Government has committed to continue current funding arrangements for EU students until the completion of the Article 50 negotiations. At this stage it is unlikely that there will be any significant impact on demand from what is a relatively small proportion of the overall student population (circa 5%). However, the Board remain cognisant of the attendant risks relating to this process and will continue to actively manage these where they arise.

The robust characteristics of this market remain; with strong levels of student demand resulting from greater institutional autonomy and a recognition of the importance of high quality facilities as a central element of improving the experience of students.



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## UPP (ALCUIN) LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

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#### Principal risks and uncertainties

##### Financial risk management objectives and policies

The Company and Group use various financial instruments including loans, RPI swaps, cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company and group's operations. All of the company and group's financial instruments are of sterling denomination and the Company and Group do not trade in financial instruments or derivatives.

The existence of these financial instruments exposes the Company and Group to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

##### Interest rate risk

The Company and Group finances its operations through a mixture of retained profits, related party borrowings and fixed rate and inflation linked on-loans from a fellow group undertaking.

Through the use of the fixed rate tranche of the on-loan the Company and Group has mitigated its negative exposure to interest rate fluctuations on that portion of its borrowings. The index-linked tranche of the on-loan has a nominal fixed rate that is linked to RPI (see below).

##### Inflation risk

Growth in rental income received at UPP (Alcuin) Limited is linked to the movement in RPI and the company and group manage the exposure to this index through a mix of inflation linked debt on-lent from the fellow group undertaking and the use of RPI swaps to hedge a portion of the fixed rate on-loan servicing costs

##### Liquidity risk

The Company and Group seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and debt servicing and to invest cash assets safely and profitably.

The maturity of borrowings is set out in note 17 to the financial statements.

##### Demand risk

The Group is subjected to risks arising from occupancy voids and lack of nominations by the university partners, which can lead to uncertain revenues. This risk is managed by cementing relationships with the university, improved marketing of accommodation and improved third party revenues to compensate for any shortfalls in rental income.

##### Portfolio risk

The assets of the Group are in the student market and reduced student numbers could impact upon financial performance. The Group seeks to mitigate this risk by building excellent long term relationships with its university partner and ensuring up to date in-depth market analysis is completed each year to enable the company to review its strategic position.

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## UPP (ALCUIN) LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

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#### Financial key performance indicators

The following are considered by the directors to be indicators of average performance of the Group that are not necessarily evident from the financial statements but provide insight into the quality of underlying cash flows for the borrowers.

	2015/16	2014/15
Average Applications : Acceptance ratio	6.13:1	6.33:1
Average core demand pool (no. of students)	12,609	12,495

The indicators above are directly related to performance of the university partner of the Group and any changes in these statistics may potentially affect the performance of the Group and in turn, the economic viability of this company.

The directors also monitor the occupancy levels of the student accommodation facilities.

	2015/16	2014/15
Average occupancy across the facilities	100.0%	100.0%

The target occupancy level is 98-99%. As such the directors are satisfied that the the occupancys noted above are within tolerable limits for the recovery of credit extended to the Group. In addition, the Group met its on-loan obligations in the period.

Other financial key performance indicators, such as debt service cover ratio, relate to financial covenants on the associated senior debt financial instruments. All of the financial covenants have been met during the financial year.

This report was approved by the board on 12 December 2016 and signed on its behalf.



**R Bienfait**  
Director

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## UPP (ALCUIN) LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2016

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The directors present their annual report and consolidated financial statements for the year ended 31 August 2016.

#### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated financial statements in accordance with regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Principal activity of the business

The Group and Company's principal activity is the operation of student accommodation and the provision of related facilities management services for the University of York under the University Partnerships Programme.

#### Financial risk management objectives and policies

The company's financial risk management objectives and policies are considered to be of strategic significance and are therefore detailed in the Strategic Report on page 2.

#### Going concern

The directors have reviewed the Group and Company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Group and Company's finances, contracts and likely future demand trends. The Company has a net liability position and it has received confirmation from its immediate parent undertaking, UPP Bond 1 Limited that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

#### Results and dividends

The loss for the year, after taxation, amounted to £178k (2015 - profit £149k).

The directors are unable to propose the payment of dividend (2015: £Nil).

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**UPP (ALCUIN) LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**Directors**

The directors who served during the year were:

R Bailey-Watts  
J Benkel  
J Wakeford (appointed 27 July 2016)  
G Behr (resigned 10 May 2016)

The following director was appointed after the year end:

R Bienfait (appointed 11 October 2016)

**Financial instruments**

The company's financial risk management objectives and policies are considered to be of strategic importance and are therefore detailed in the Strategic Report on page 2.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**Auditor**

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 12 December 2016 and signed on its behalf.



R Bienfait  
Director

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## **UPP (ALCUIN) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (ALCUIN) LIMITED**

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We have audited the financial statements of UPP (Alcuin) Limited for the year ended 31 August 2016, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 August 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements.

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UPP (ALCUIN) LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UPP (ALCUIN) LIMITED  
(CONTINUED)

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Giles Mullins (Senior Statutory Auditor)

for and on behalf of  
**Grant Thornton UK LLP**

Milton Keynes

12 December 2016

**UPP (ALCUIN) LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £000	2015 £000
Turnover	4	6,107	5,877
Cost of sales		(1,320)	(1,310)
<b>Gross profit</b>		<b>4,787</b>	<b>4,567</b>
Administrative expenses		(1,042)	(714)
<b>Operating profit</b>	5	<b>3,745</b>	<b>3,853</b>
Interest receivable and similar income	8	42	47
Interest payable and similar charges	9	(3,965)	(3,751)
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(178)</b>	<b>149</b>
Tax on (loss)/profit on ordinary activities	10	-	-
<b>(Loss)/profit for the year on ordinary activities</b>		<b>(178)</b>	<b>149</b>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the parent		(178)	149
		<b>(178)</b>	<b>149</b>

The notes on pages 17 to 43 form part of these financial statements.

The above results all relate to continuing operations.

**UPP (ALCUIN) LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £000	2015 £000
(Loss)/profit for the financial year		(178)	149
<b>Other comprehensive income</b>			
Deferred tax on revaluation of tangible fixed assets		(326)	53
Unrealised surplus on revaluation of tangible fixed assets		4,849	-
Fair value movement on swaps		346	1,137
Deferred taxation movement swaps		(80)	(227)
<b>Other comprehensive income for the year</b>		4,789	963
<b>Total comprehensive income for the year</b>		4,611	1,112
<b>Total comprehensive income attributable to:</b>			
Owners of the parent company		4,611	1,112
		4,611	1,112

The notes on pages 17 to 43 form part of these financial statements.



**UPP (ALCUIN) LIMITED**  
**REGISTERED NUMBER: 06077462**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 AUGUST 2016**

	Note	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Intangible assets	12		3,858		3,951
Tangible fixed assets	13		63,443		58,743
			<u>67,301</u>		<u>62,694</u>
<b>Current assets</b>					
Debtors	14	4,011		3,818	
		<u>4,011</u>		<u>3,818</u>	
Creditors: amounts falling due within one year	15	(1,993)		(1,691)	
		<u></u>	<u>2,018</u>	<u></u>	<u>2,127</u>
<b>Net current assets</b>			<u>2,018</u>		<u>2,127</u>
<b>Total assets less current liabilities</b>			<u>69,319</u>		<u>64,821</u>
Creditors: amounts falling due after more than one year	16		(62,165)		(62,603)
<b>Provisions for liabilities</b>					
Deferred tax		(3,501)		(3,175)	
		<u></u>	<u>(3,501)</u>	<u></u>	<u>(3,175)</u>
<b>Net assets/(liabilities)</b>			<u><u>3,653</u></u>		<u><u>(957)</u></u>
<b>Capital and reserves</b>					
Called up share capital	20		440		440
Revaluation reserve	21		22,496		18,023
Other reserves	21		1,727		1,461
Profit and loss account	21		(21,010)		(20,881)
			<u>3,653</u>		<u>(957)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 December 2016.



**R Bienfait**

Director



**J Benkel**

Director

The notes on 17 to 43 form part of these financial statements.

**UPP (ALCUIN) LIMITED**  
**REGISTERED NUMBER: 06077462**

**COMPANY BALANCE SHEET**  
**AS AT 31 AUGUST 2016**

	Note	2016 £000	2016 £000	2015 £000
<b>Fixed assets</b>				
Intangible assets	12	(12,707)		(13,025)
Tangible fixed assets	13	63,443		58,743
		<u>50,736</u>		<u>45,718</u>
<b>Current assets</b>				
Debtors	14	4,011	3,818	
		<u>4,011</u>	<u>3,818</u>	
Creditors: amounts falling due within one year	15	(1,994)	(1,691)	
		<u>2,017</u>		<u>2,127</u>
<b>Net current assets</b>				
		<u>52,753</u>		<u>47,845</u>
<b>Total assets less current liabilities</b>				
Creditors: amounts falling due after more than one year	16	(62,165)		(62,603)
<b>Provisions for liabilities</b>				
Deferred tax		(3,501)	(3,175)	
		<u>(3,501)</u>	<u>(3,175)</u>	
<b>Net liabilities</b>				
		<u>(12,913)</u>		<u>(17,933)</u>
<b>Capital and reserves</b>				
Called up share capital	20	440		440
Revaluation reserve	21	(1,284)		(5,757)
Other reserves	21	1,727		1,461
Profit and loss account	21	(13,796)		(14,077)
		<u>(12,913)</u>		<u>(17,933)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 December 2016.

  
**R Bienfait**

Director

  
**J Benkel**

Director

The notes on 17 to 43 form part of these financial statements.

**UPP (ALCUIN) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2016**

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2015	440	18,023	1,461	(20,881)	(957)
Loss for the year	-	-	-	(178)	(178)
Transfer from revaluation reserve	-	-	-	49	49
Surplus on revaluation of leasehold property	-	4,522	-	-	4,522
Other comprehensive income for the year	-	-	266	-	266
Transfer to profit and loss account	-	(49)	-	-	(49)
<b>At 31 August 2016</b>	<b>440</b>	<b>22,496</b>	<b>1,727</b>	<b>(21,010)</b>	<b>3,653</b>

The notes on pages 17 to 43 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2016 was £49k.

**UPP (ALCUIN) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2015**

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2014	440	18,015	552	(21,075)	(2,068)
Profit for the year	-	-	-	149	149
Transfer from revaluation reserve	-	-	-	45	45
Revaluation of principal asset	-	53	-	-	53
Other comprehensive income for the year	-	-	909	-	909
Transfer to profit and loss account	-	(45)	-	-	(45)
<b>At 31 August 2015</b>	<b>440</b>	<b>18,023</b>	<b>1,461</b>	<b>(20,881)</b>	<b>(957)</b>

The notes on page 17 to 43 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2015 was £45k.

**UPP (ALCUIN) LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2016**

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2015	440	(5,757)	1,461	(14,077)	(17,933)
Profit for the year	-	-	-	232	232
Transfer from revaluation reserve	-	-	-	49	49
Surplus on revaluation of leasehold property	-	4,522	-	-	4,522
Other comprehensive income for the year	-	-	266	-	266
<b>Other comprehensive income for the year</b>	-	4,522	266	49	4,837
Transfer to profit and loss account	-	(49)	-	-	(49)
<b>At 31 August 2016</b>	<b>440</b>	<b>(1,284)</b>	<b>1,727</b>	<b>(13,796)</b>	<b>(12,913)</b>

The notes on page 17 to 43 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2016 was £49k.

**UPP (ALCUIN) LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2015**

	Called up share capital	Revaluation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 September 2014	440	(5,765)	552	(14,682)	(19,455)
Profit for the year	-	-	-	560	560
Transfer from revaluation reserve	-	-	-	45	45
Revaluation of principal asset	-	53	-	-	53
Other comprehensive income for the year	-	-	909	-	909
<b>Other comprehensive income for the year</b>	-	53	909	45	1,007
Transfer to profit and loss account	-	(45)	-	-	(45)
<b>At 31 August 2015</b>	<b>440</b>	<b>(5,757)</b>	<b>1,461</b>	<b>(14,077)</b>	<b>(17,933)</b>

The notes on 17 to 43 form part of these financial statements.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the Profit and Loss account as a movement on reserves. The transfer for 2015 was £45k.

**UPP (ALCUIN) LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 AUGUST 2016**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year	(178)	149
<b>Adjustments for:</b>		
Amortisation of intangible assets	94	94
Depreciation of tangible assets	149	138
Interest paid	3,965	3,751
Interest received	(41)	(47)
(Increase) in debtors	(78)	(227)
Decrease in amounts owed by groups	(275)	(654)
(Decrease) in creditors	(73)	(22)
Increase in amounts owed to groups	372	1,339
<b>Net cash generated from operating activities</b>	<b>3,935</b>	<b>4,521</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	-	(71)
Interest received	41	47
<b>Net cash from investing activities</b>	<b>41</b>	<b>(24)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(519)	(520)
Interest paid	(3,457)	(3,977)
<b>Net cash used in financing activities</b>	<b>(3,976)</b>	<b>(4,497)</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of year</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
<b>Cash at bank and in hand</b>	<b>-</b>	<b>-</b>

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## UPP (ALCUIN) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1. General information

UPP (Alcuin) Limited is a private limited company incorporated in England. The company number is 06077462. The registered office is 40 Gracechurch Street, London, EC3V 0BT.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fair value basis for all derivative instruments and revaluation of fixed assets, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 23.

The Group has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting By Operators, and as a result its tangible fixed assets which meet the definition of service concession arrangements under Section 34 but where the contract was entered into before the date of transition will continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102.

The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 September 2014 and this is the first period in which the financial statements have been prepared under FRS 102. The transition to FRS 102 has resulted in a number of changes in accounting policies to those used previously. The nature of these changes and their impact on opening equity and loss for the comparative period are explained in note 24.

The Group has taken advantage of the disclosure exemption allowed under FRS 102 not to comply with Section 7 Statement of Cash Flows and it has not presented its own Statement of Cash Flows in these financial statements.

The financial statements are presented in Sterling (£), which is the Group's functional currency, rounded to the nearest thousand.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:



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## UPP (ALCUIN) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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#### 2. Accounting policies (continued)

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 September 2014.

##### 2.3 Going concern

The directors have reviewed the Group and Company's projected profits and cash flows which they have prepared on the basis of a detailed analysis of the Group and Company's finances, contracts and likely future demand trends. The Company has a net liability position and has received confirmation from its immediate parent undertaking, UPP Bond 1 Limited that it will provide the necessary financial support to ensure it can meet its liabilities as they fall due. Accordingly the financial statements have been prepared on a going concern basis.

##### 2.4 Turnover

Rent receivable is recognised on a straight line basis of the amount receivable in respect of the accounting period. Amounts received in advance are included within deferred income.

##### 2.5 Derivatives instruments

Derivatives, include interest rate swaps and inflation swaps.

To mitigate its exposure to changes in inflation, the Company has entered into an inflation linked swap ('RPI swaps') with UPP Bond 1 Issuer Plc, a fellow group undertaking. All derivative instruments are initially measured at fair value on the date the contract is entered into and subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement is taken to the statement of comprehensive income, unless they are included in a hedging arrangement.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of both the interest rate and inflation swap contracts are determined by calculating the present value of the estimated future cash flows using observable yield curves.

##### 2.6 Investments

Fixed asset investments are carried at cost less any provision for impairment in value.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets are stated at valuation, net of depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less any residual value, over the expected useful economic lives of the assets concerned once construction is complete. The principal rates of depreciation used for this purpose are:

The estimated useful lives range as follows:

Assets for use in operating leases	- annuity method over the term of the lease
Computer equipment	- straight line over 5 years

The economic benefit of the principal assets for use in operating leases is the return on assets invested into the financing arrangement with the relevant university. The annuity method takes into account the cost of capital notionally invested in the principal asset. Notional interest calculated using the relevant group's actual weighted cost of capital and depreciation combined will give an approximately constant charge to revenue.

The Group has adopted a policy to revalue the principal asset every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The movement in fair value is recognised in other comprehensive income and accumulated in equity in a revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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## UPP (ALCUIN) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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## 2. Accounting policies (continued)

### 2.8 Intangible assets

Goodwill arising on acquisition of subsidiary undertakings is the difference between the fair value of consideration paid and the fair value of the net assets acquired from the date that control passes.

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2007. Negative goodwill arose on the hive up of subsidiary undertakings during the year ended 31 August 2013.

Goodwill attributed to subsidiary undertakings is amortised on a straight line basis over the remaining lease period on the principal asset held by the subsidiary which expires in 2057. This period of amortisation is greater than 20 years but represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows.

The carrying amount of goodwill is allocated to the cash generating companies acquired. The recoverable amount of those companies has been based on value in use calculations as at the date that the shareholding was acquired. These calculations have been based on a full year forecast, extrapolated over the remaining lease period using a 2.5% - 3.5% growth rate. The group is not currently aware of any reasonable changes which would necessitate changes in its key assumptions.

### 2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Impairment is determined by making an estimate of the likely recoverable value of short term debtors by considering factors such as the credit rating, the aging profile and the historic experience of the respective debtor.

### 2.10 Interest bearing loans and borrowings

Fixed rate senior secured notes, index linked senior secured notes and subordinated loan notes are initially measured at fair value, net of transaction costs. They are then subsequently measured at amortised cost using the effective interest method. Refer to section 3 for details on why the instruments are considered to be basic.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability, or (where appropriate) a shorter year, to the net carrying amount on initial recognition.

Where the financial liability has variable cash flows, such as the index linked interest and principal repayments, the change in RPI is charged to the profit and loss in the period to which it relates.

### 2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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**2. Accounting policies (continued)**

**2.12 Hedge accounting**

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. The Group designates all its derivative financial instruments, which meet the qualifying conditions for hedge accounting, as cash flow hedges.

Inflation linked swaps are held to manage the Group's exposure to changes in RPI. The Group's rental income from student accommodation is linked to RPI and the swap contracts manage the exposure to RPI by swapping RPI annual rate changes with a fixed rate.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income directly in the cash flow hedge reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

It is considered that the criteria to apply hedge account have been met.

The Group has elected to adopt hedge accounting for all its swaps which meet the qualifying criteria for hedge accounting under Section 12 of FRS 102.

**2.13 Finance costs**

Financing costs, comprising interest payable on loans and subordinated loan notes and the costs incurred in connection with the arrangement of borrowings are recognised in the income statement using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument unless the capital instrument is subsequently carried at fair value in which case the initial issue costs are expensed in the profit and loss account.

Financing costs also include losses or gains arising on any ineffective portion of fair value changes of designated for hedge accounting derivative instruments. Any movements in fair value of derivative instruments designated for hedge accounting that are effective are recognised in other comprehensive income as finance gains or losses.

**2.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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**UPP (ALCUIN) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**2. Accounting policies (continued)**

**2.15 Debt issue costs**

The debt issue costs incurred have been offset against the related debt and will be charged to finance costs at a constant rate on the carrying value of the debt. If it becomes clear that the related debt will be redeemed early then the charge to finance costs will be accelerated. Where there is an early repayment clause within the debt instrument, costs incurred are amortised to the profit and loss account to the earliest opportunity the debt could be repaid.

**2.16 Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**2.17 Interest income**

Interest income is recognised in the Consolidated Profit and Loss Account using the effective interest method.

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## UPP (ALCUIN) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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#### 2. Accounting policies (continued)

##### 2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax liability is recognised on any tangible fixed assets revaluations. The corresponding movements in deferred tax are recognised in the same component of income as the transaction it relates to.

The Group has decided to make the election to be taxed under Regulation 9 in relation to derivative financial instruments and as a result a deferred tax asset or liability is recognised on the carrying value of any derivative instruments. Any deferred tax movements are recognised in other comprehensive income, where hedge accounting is applied for the underlying derivative instrument or in the profit and loss account where hedge accounting is not applied.

Deferred tax is calculated on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Group relief is only accounted for to the extent that a formal policy is in place at the reporting period end. Where no policy is in place, current and deferred tax is measured before benefits which may arise from a formal group relief policy.

##### 2.19 Related party transactions

The company is a wholly owned subsidiary of UPP Bond 1 Limited which is a wholly owned subsidiary of the ultimate parent company UPP Group Holdings Limited and as such the company has taken advantage of the terms of FRS 102.33.1A not to disclose related party transactions which are eliminated on consolidation.



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## UPP (ALCUIN) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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#### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below:

##### Revaluation of the principal assets

The Group has adopted a policy to revalue the principal assets every five years with an interim valuation performed in year three of the cycle and in other years if there is evidence that the value has changed significantly. The Group engages independent valuation specialists to determine the fair value of the assets every five years, with a directors' valuation performed at any other interim period. The valuation technique employed by both the independent valuers and directors is based on a discounted cash flow model as there is a lack of comparable market data due to the specific nature of the property assets. The determined fair value of the principal assets is most sensitive to the estimated rental growth, discount rate, as well as the long term occupancy rates. The key assumptions used to determine the principal assets are further explained in note 13 on page 32-33.

##### Valuation of RPI swaps (note 18)

UPP (Alcuin) Limited, one of the Group companies, entered into derivative financial instruments, being RPI swaps, to manage the Group's exposure to RPI. Derivatives are initially recognised at fair value at the date a derivative is entered into and are subsequently re-measured at fair value at each reporting date. The fair values of the swaps are based on mark to market valuations adjusted for credit risk. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss unless hedge accounting is applied, in which case, any portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

##### Goodwill useful economic life

The Group establishes a reliable estimate of the useful economic life of goodwill arising on business combinations. Goodwill attributed to subsidiary undertakings is amortised on a straight line basis over the remaining lease period on the principal asset held by each subsidiary. This period of amortisation represents the period over which each subsidiary undertaking acquired will continue to generate operating cash flows. For further details refer to note 12.

##### Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss, unless the asset is carried at a revalued amount where the impairment loss of a re-valued asset is a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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**3. Judgments in applying accounting policies (continued)**

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply. There has been no impairment in the current year or in the prior year.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**Presentation of the principal asset**

Rent receivable is generated from the Group's interests in university accommodation. These interests fall within the scope of Section 34 of FRS 102. However, due to the transitional relief adopted in relation to service concession arrangements, the Group continues to account for all its principal assets applying the policies under the extant UK GAAP, FRS 5 (Application Note F).

Each year the Group applies judgement in assessing the status of these interests, in accordance with the provisions of FRS 5 (Application Note F), assessing the balance of the significant risks and rewards of ownership of the asset. The appropriate balance sheet treatment of these interests is to treat the asset as a finance receivable asset where the Group does not have the majority of significant risks and rewards. Where it does, the asset is treated as a tangible fixed asset.

The directors consider the balance of the risks and rewards lies with the company due to the Group taking the key demand risk and therefore the assets are treated as tangible fixed asset.

**Classification of index-linked financial instruments**

The Group's index-linked senior secured notes are fully amortising with both principal repayments and real interest adjusted semi-annually by the change in the RPI index. Management have concluded that despite both principal and interest being linked to RPI, these links are not leveraged and because both principal and interest repayment obligations change in the same proportion and therefore the conditions in paragraphs 11.9(a) and (aA) of FRS 102 are met and the Group's index linked financial instruments are classified as basic and carried at amortised cost.

**Hedge accounting for inflation swaps**

The Group has chosen to apply hedge accounting for all hedging instruments which are in a qualifying hedging relationship under FRS 102 Section 12. Significant judgement is exercised in concluding that future inflationary increases or decreases in rent receivable from university partners are separately identifiable and reliably measurable components of the rental income which ensures the inflation component of rental income and the related RPI swaps are in a hedging relationship which meets the qualifying criteria for hedge accounting under Section 12 of FRS 102. It is considered that the criteria to apply hedge accounting have been met.



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UPP (ALCUIN) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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**4. Turnover**

Turnover represents income, on the basis of accounting policy 2.4, excluding VAT, attributed to the provision of student accommodation.

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Provision of student accommodation	6,107	5,877
	<u>6,107</u>	<u>5,877</u>

All turnover arose within the United Kingdom.

**5. Operating profit**

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	149	138
Amortisation of intangible assets, including goodwill	94	94
Auditor's remuneration	15	15
	<u>15</u>	<u>15</u>

During the year, no director received any emoluments (2015 - £NIL).

**6. Auditor's remuneration**

	2016 £000	2015 £000
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	11	11
	<u>11</u>	<u>11</u>
<b>Fees payable to the Group's auditor and its associates in respect of non audit services:</b>		
Taxation compliance services	4	4
	<u>4</u>	<u>4</u>

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**UPP (ALCUIN) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**7. Employee information**

Staff costs were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>109</b>	<b>125</b>
Social security costs	<b>8</b>	<b>10</b>
Cost of defined contribution scheme	<b>5</b>	<b>5</b>
	<b>122</b>	<b>140</b>

**Key management personnel**

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration with respect of these individuals is £nil (2015: £nil).

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Site managers	<b>1</b>	<b>1</b>
Administration, maintenance and cleaning	<b>5</b>	<b>5</b>
	<b>6</b>	<b>6</b>

**8. Interest receivable**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<b>39</b>	<b>38</b>
Bank interest receivable	<b>3</b>	<b>9</b>
	<b>42</b>	<b>47</b>

**UPP (ALCUIN) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

**9. Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest payable on fixed rate senior secured notes	<b>2,037</b>	<b>2,055</b>
Subordinated loan interest payable	<b>1,371</b>	<b>1,219</b>
Interest payable on index-linked senior secured notes	<b>557</b>	<b>477</b>
	<b>3,965</b>	<b>3,751</b>

Subordinated loan interest is payable to UPP Bond 1 Limited

**10. Taxation**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Total current tax</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Taxation on profit on ordinary activities</b>	<b>-</b>	<b>-</b>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015 - *higher than*) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit on ordinary activities before tax	<b>(179)</b>	<b>150</b>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	<b>(36)</b>	<b>32</b>
<b>Effects of:</b>		
Expenses disallowable for tax purposes	<b>158</b>	<b>128</b>
Non-taxable income	<b>(63)</b>	<b>(65)</b>
Movement in deferred tax not recognised	<b>(59)</b>	<b>(95)</b>
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

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UPP (ALCUIN) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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10. Taxation (continued)

**Factors that may affect future tax charges**

The deferred tax has been recognised at a rate of 18% which was substantively enacted in Finance Bill 2015.

There will be a reduction in corporation tax rate from the current 20% rate to 19% from 1 April 2017 and then to 18% from 1 April 2020.

A deferred tax asset of £2,527k (2015: £2,959k) in respect of available tax losses and other timing differences has not been recognised at 31 August 2016. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

11. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The loss after tax of the Company for the year was (£232k) (2015 - £560k profit).

12. Intangible assets

**Group**

	Positive Goodwill £000
<b>Cost</b>	
At 1 September 2015	4,703
At 31 August 2016	4,703
<b>Amortisation</b>	
At 1 September 2015	752
Charge for the year	94
At 31 August 2016	846
<b>Net book value</b>	
At 31 August 2016	3,857
At 31 August 2015	3,951

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UPP (ALCUIN) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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12. Intangible assets (continued)

Goodwill arose on the acquisition of the subsidiary undertakings during the year ended 31 August 2007 and it is amortised on a straight line basis over the remaining lease period.

Negative goodwill, related to the Company only, arose on the hive up of subsidiary undertakings during the year ended 31 August 2013 and it is amortised on a straight line basis over the remaining lease period.

**Company**

	Negative Goodwill £000
<b>Cost</b>	
At 1 September 2015	(13,970)
At 31 August 2016	<u>(13,970)</u>
<b>Amortisation</b>	
At 1 September 2015	(945)
Charge for the year	(317)
At 31 August 2016	<u>(1,262)</u>
<b>Net book value</b>	
At 31 August 2016	<u><u>(12,708)</u></u>
At 31 August 2015	<u><u>(13,025)</u></u>

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**UPP (ALCUIN) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**13. Tangible fixed assets**

**Group and Company**

	Assets for use in operating leases £000	Computer equipment £000	Total £000
<b>Cost or valuation</b>			
At 1 September 2015	58,810	71	58,881
Revaluations	4,590	-	4,590
At 31 August 2016	<u>63,400</u>	<u>71</u>	<u>63,471</u>
<b>Depreciation</b>			
At 1 September 2015	124	14	138
Charge for period on owned assets	135	14	149
On revalued assets	(259)	-	(259)
At 31 August 2016	<u>-</u>	<u>28</u>	<u>28</u>
<b>Net book value</b>			
At 31 August 2016	<u>63,400</u>	<u>43</u>	<u>63,443</u>
At 31 August 2015	<u>58,686</u>	<u>57</u>	<u>58,743</u>

**UPP (ALCUIN) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

**13. Tangible fixed assets (continued)**

Fixed assets include borrowing costs of £1,195k (2015: £1,195k).

Assets used in operating leases were independently valued by Jones Lang LaSalle ("JLL"), Chartered Surveyors, on an existing use basis at 31 August 2016 in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. JLL have confirmed that the value as at that date was £63,400k.

Following an internal review of the assets used in operating leases, the directors have decided to revalue the assets to the value as determined by JLL in 2016.

The critical assumptions made in relation to the valuation are set out below:

	2016	2015
Discount rates	8.56%	N/A
Occupancy rates	99%	N/A
Long term annual rental growth	3%	N/A

Cost or valuation at 31 August 2016 is as follows:

	<b>Assets for use in operating leases £000</b>
<b>At cost</b>	<b>38,268</b>
<b>At valuation:</b>	
Valuation as at 31st August 2016	<b>25,132</b>
	<b>63,400</b>

If the assets used in operating leases had not been included at valuation they would have been included under the historical cost convention as follows:

	<b>2016 £000</b>	<b>2015 £000</b>
<b>Group</b>		
Cost	<b>38,268</b>	38,268
Accumulated depreciation	<b>(799)</b>	(698)
<b>Net book value</b>	<b>37,469</b>	37,570

**UPP (ALCUIN) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Debtors**

	<b>Group 2016 £000</b>	<i>Group 2015 £000</i>	<b>Company 2016 £000</b>	<i>Company 2015 £000</i>
<b>Due after more than one year</b>				
Deferred tax asset	96	175	96	175
<b>Due within one year</b>				
Amounts owed by group undertakings	3,909	3,635	3,909	3,635
Prepayments and accrued income	6	8	6	8
	<b>4,011</b>	<i>3,818</i>	<b>4,011</b>	<i>3,818</i>

Included within amounts owed by group undertaking is a balance of £840k (2015 - £777k) which is to fund a debt service reserve account that is sized to be adequate to cover the next six months of service costs of both tranches of the senior secured notes. This amount is reviewed every six months and increased or decreased accordingly. Interest receivable on these loans is calculated using the effective interest method which is different to the actual cash interest received at the rate the company earns interest on the cash balances it holds. The amounts owed by group undertakings are repayable on demand and not subject to interest.

**15. Creditors: Amounts falling due within one year**

	<b>Group 2016 £000</b>	<i>Group 2015 £000</i>	<b>Company 2016 £000</b>	<i>Company 2015 £000</i>
Current installments due on loans	599	519	599	519
Trade creditors	31	-	31	-
Amounts owed to group undertakings	330	175	330	174
Accruals and deferred income	1,033	997	1,034	998
	<b>1,993</b>	<i>1,691</i>	<b>1,994</b>	<i>1,691</i>

The amounts owed to group undertakings are repayable on demand and not subject to interest.



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**UPP (ALCUIN) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**16. Creditors: Amounts falling due after more than one year**

	<b>Group 2016 £000</b>	<i>Group 2015 £000</i>	<b>Company 2016 £000</b>	<i>Company 2015 £000</i>
Fixed rate on loans	<b>38,178</b>	<i>38,710</i>	<b>38,178</b>	<i>38,710</i>
Index linked on loans	<b>11,982</b>	<i>11,759</i>	<b>11,982</b>	<i>11,759</i>
Unsecured subordinated loan notes	<b>11,474</b>	<i>11,257</i>	<b>11,474</b>	<i>11,257</i>
Derivative financial instruments	<b>531</b>	<i>877</i>	<b>531</b>	<i>877</i>
	<b>62,165</b>	<i>62,603</i>	<b>62,165</b>	<i>62,603</i>

## UPP (ALCUIN) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

#### 17. Loans

##### On loans

On 5 March 2013, a fellow subsidiary of the Group's immediate parent UPP Bond 1 Limited, UPP Bond 1 Issuer plc, launched a Multicurrency Programme for the issuance of £382.1 million Senior Secured Notes. The proceeds of this bond issuance were on lent to UPP (Alcuin) Limited and five other subsidiary undertakings of UPP Bond 1 Limited, to enable the companies to repay their existing senior bank debt funding.

These notes are listed on the Irish Stock Exchange. The 4.9023% fixed rate loan notes are due to be fully repaid by 2040, with repayments having begun in August 2013. The 2.7291% index linked loan notes are due to be fully repaid by 2047, with repayments starting in August 2038.

The Group entered into on-loan arrangements with UPP Bond 1 Issuer plc the terms and conditions of which are laid out below:

	Amount	Interest rate	Maturity
Tranche A	41,993,000	Fixed rate at 4.9023%	31 August 2038
Tranche B	11,539,000	Index-linked at 2.7291%	31 August 2047

The on-loan facility above is secured under a debenture deed. Under the terms of the debenture, the finance provider, UPP Bond 1 Issuer plc, has security by way of a first legal mortgage over all estates or interests in the leasehold properties and buildings and fixtures on those properties, as well as security over all other assets of the Group by way of fixed and floating charges.

##### Subordinated loan notes

On 5 March 2013, UPP Bond 1 Limited provided unsecured subordinated loan notes of £9,885,000 to the company. These loan notes bear interest at 14% and are repayable by 2056.

##### Maturity of Loans

	<b>Group 2016 £000</b>	<i>Group 2015 £000</i>	<b>Company 2016 £000</b>	<i>Company 2015 £000</i>
<b>Amounts falling due within one year</b>				
Fixed rate on loans	<b>599</b>	<i>519</i>	<b>599</b>	<i>519</i>
	<b>599</b>	<i>519</i>	<b>599</b>	<i>519</i>
<b>Amounts falling due 1-2 years</b>				
Fixed rate on loans	<b>866</b>	<i>599</i>	<b>866</b>	<i>599</i>
	<b>866</b>	<i>599</i>	<b>866</b>	<i>599</i>
<b>Amounts falling due 2-5 years</b>				
Fixed rate on loans	<b>3,724</b>	<i>3,327</i>	<b>3,724</b>	<i>3,327</i>

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**UPP (ALCUIN) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**17. Loans (continued)**

	<u>3,724</u>	<u>3,327</u>	<u>3,724</u>	<u>3,327</u>
<b>Amounts falling due after more than 5 years</b>				
Fixed rate on loans	<b>33,589</b>	34,784	<b>33,589</b>	34,784
Index-linked on loans	<b>11,982</b>	11,759	<b>11,982</b>	11,759
Unsecured subordinated loan notes	<b>11,474</b>	11,257	<b>11,474</b>	11,257
	<u><b>57,045</b></u>	<u>57,800</u>	<u><b>57,045</b></u>	<u>57,800</u>
	<u><b>62,234</b></u>	<u>62,245</u>	<u><b>62,234</b></u>	<u>62,245</u>

**UPP (ALCUIN) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

**18. Financial Instruments**

	<b>Group 2016 £000</b>	<i>Group 2015 £000</i>	<b>Company 2016 £000</b>	<i>Company 2015 £000</i>
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	<b>3,910</b>	3,635	<b>3,910</b>	3,635
	<b>3,910</b>	3,635	<b>3,910</b>	3,635
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b>(63,625)</b>	(63,418)	<b>(63,625)</b>	(63,418)
Derivative financial instruments at fair value	<b>(531)</b>	(877)	<b>(531)</b>	(877)
	<b>(64,156)</b>	(64,295)	<b>(64,156)</b>	(64,295)

Financial assets measured at amortised cost comprise amounts owed from group undertakings

Financial liabilities measured at amortised cost comprise fixed rate on loans, index linked on loans, subordinated loan notes, trade creditors and amounts owed to group undertakings.

Derivative financial instruments measured at fair value comprise an RPI swap.

To mitigate the risks of inflation movements in the underlying income generation of the Group impacting on the Group and Company's ability to service the fixed rate senior on loans, the Group has entered into an RPI swap with UPP Bond 1 Issuer plc, a fellow group company, which has entered into on –loan arrangements with the Group. The notional amounts swapped for each year has been determined with reference to a percentage of the fixed rate on loan servicing costs.

The fair value of this derivative instrument has been determined using yield curves derived from quoted RPI rates matching the maturity of the RPI swap. This fair value is based on a mark to market valuation adjusted for credit risk.

The Group entered into the RPI swap on 5 March 2013, fixing a portion of the underlying rental income stream to 2.7%. The RPI swap is for a period of 27 years from March 2013, commencing in February 2015 and finishing in February 2042.

The Group applies hedge accounting for its derivative instrument as the criteria are met under section 12 FRS 102. A hedging gain of £531k arose during the year (2015: £877k gain) and was recognised in the Statement of Other Comprehensive Income, reflecting the change in fair value of this RPI swap.

**UPP (ALCUIN) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

**19. Deferred taxation**

**Group**

	2016 £000	2015 £000
At beginning of year	(3,000)	(3,228)
Charged to other comprehensive income	(406)	228
<b>At end of year</b>	<b>(3,406)</b>	<b>(3,000)</b>

  

	<b>Group 2016 £000</b>	<i>Group 2015 £000</i>	<b>Company 2016 £000</b>	<i>Company 2015 £000</i>
Deferred tax on revaluation	(3,502)	(3,175)	(3,502)	(3,175)
Deferred tax on fair value of swaps	96	175	96	175
	<b>(3,406)</b>	<b>(3,000)</b>	<b>(3,406)</b>	<b>(3,000)</b>

**20. Share capital**

	2016 £000	2015 £000
<b>Shares classified as equity</b>		
<b>Authorised</b>		
500,000 Ordinary shares shares of £1 each	500	500
<b>Allotted, called up and fully paid</b>		
440,001 Ordinary shares shares of £1 each	440	440

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**UPP (ALCUIN) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**21. Reserves**

**Revaluation reserve**

The reserve is used to record the surplus or deficit arising on valuation of the principal asset of the Group as well as the deferred tax liability arising on any chargeable gains if the associated property were to be sold at the balance sheet date.

**Other reserves**

Other reserves comprise of cash flow hedge reserve which includes the fair value movements on the derivatives financial instruments and the deferred tax associated with these.

**Profit and loss account**

The reserve consists of current and prior year profit and loss.

**22. Controlling party**

The company is wholly owned by UPP Bond 1 Limited, a wholly owned subsidiary of UPP Bond 1 Holdings Limited, itself a wholly owned subsidiary of UPP Group Limited. UPP Group Limited is a wholly owned subsidiary of UPP Group Holdings Limited.

UPP Group Holdings Limited was controlled by a 60% stake held by PGGM Vermogensbeheer BV ("PGGM"), a company incorporated in The Netherlands.

It is the directors' opinion that PGGM is the ultimate controlling party.

The smallest and largest group of which the company is a member and for which group accounts are prepared is UPP Group Holdings Limited.

Copies of the accounts can be obtained from Companies House, Cardiff CF14 3UZ, once they have been filed.

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**UPP (ALCUIN) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**23. First time adoption of FRS 102**

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 1 September 2014. The impact of the transition to FRS 102 is as follows:

**Reconciliation of equity at 1 September 2014**

	Note	Group £000	Company £000
Equity at 1 September 2014 under previous UK GAAP		3,453	(13,935)
Subordinated loan notes at amortised cost		258	258
Fair value of RPI swap		(2,014)	(2,014)
Holiday pay accrual		(3)	(2)
Fair value of debt service reserve account		(737)	(737)
Deferred tax on revaluation		(3,228)	(3,228)
Deferred tax on fair value of RPI swap		403	403
On loan notes at amortised cost		(200)	(200)
<b>Equity shareholders funds at 1 September 2014 under FRS 102</b>		<b>(2,068)</b>	<b>(19,455)</b>

**Reconciliation of equity at 31 August 2015**

	Note	Group £000	Company £000
Equity at 31 August 2015 under previous UK GAAP		3,376	(13,600)
Subordinated loan notes at amortised cost		422	422
Fair value of Swap		(877)	(877)
Holiday accrual		(2)	(2)
Fair value of debt service reserve account		(711)	(711)
Deferred tax on revaluation		(3,175)	(3,175)
Deferred tax on fair value of RPI swap		175	175
On loan notes at amortised cost		(165)	(165)
<b>Equity shareholders funds at 31 August 2015 under FRS 102</b>		<b>(957)</b>	<b>(17,933)</b>

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UPP (ALCUIN) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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23. First time adoption of FRS 102 (continued)

Reconciliation of profit and loss account for the year ended 31 August 2015

	Group £000	Company £000
(Loss)/profit for the year under UK GAAP	(77)	334
Subordinated loan notes at amortised cost	165	165
On loan notes at amortised cost	34	34
Holiday accrual	1	1
Fair value of debt service reserve account	26	26
<b>Profit for the year ended 31 August 2015 under FRS 102</b>	<b>149</b>	<b>560</b>

The following were changes in accounting policies arising from the transition to FRS 102:

1 Derivative financial instruments

The Group was not previously required to recognise the RPI swaps on the balance sheet. Instead the effects of these derivative financial instruments were recognised in profit or loss on settlement and any net interest payable was accrued.

Under FRS 102, derivative financial instruments are classified as other financial instruments and are recognised as a financial asset or a financial liability, at fair value, when an entity becomes party to the contractual provisions of the instrument. On the adoption of the requirements of FRS 102 Section 11 and 12, derivative financial liabilities of £2,014k have been recognised in the balance sheet at the date of transition, 1 September 2014.

At 31 August 2015, the fair values of the financial liabilities were £877k. In accordance with the accounting policy in note 2.5, the difference between the fair values of £1,137k has been recognised in other comprehensive income where a policy of hedge accounting is adopted.

2 Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value re-measurements and on all fair value adjustments arising on business combinations. There are no adjustments required on business combinations arising prior to transition.

A deferred tax asset of £403k was recognised on 1 September 2014 in relation to the fair value recognition of the RPI swaps. The deferred tax asset provision as at 31 August 2015 had decreased to £175k.



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UPP (ALCUIN) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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**23. First time adoption of FRS 102 (continued)**

**3 Amortised cost for financial liabilities**

Under FRS 102, basic financial instruments are measured at amortised cost using the effective interest method, with interest expense recognised on the basis of the effective interest method. Under the previous UK GAAP, UPP had a policy of amortising its long term debt instruments using a 'constant' rate method which resulted in different carrying values for the debt instruments.

Consequently, on adoption of FRS 102, the following adjustments were made to the carrying values of the Group long term debt instruments as at 1 September 2014:

- Senior loan notes - a increase of the liability by £200k on 1 September 2014, and increase of £165k in year ended August 2015
- Unsecured loan notes - a decrease of the liability by £258k at 1 September 2014, with a decrease of £422k in year ended August 2015
- Debt service reserve loan balance - a decrease of the asset by an amount of £737k at 1 September 2014, with a decrease of £711k in year ended August 2015

**4 Holiday pay accrual**

Prior to the adoption of FRS 102, the Group did not make provision for holiday pay earned but not taken before the year end. FRS 102 requires the cost of short-term compensated absences to be recognised when employees render the service that increases their entitlement.

Consequently an additional accrual of £3k at 1 September 2014 has been made to reflect this. The provision at 31 August 2015 had decreased to £2k and the decrease in provision has been charged to profit and loss in the year ended 31 August 2015.

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UPP (ALCUIN) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016

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**24. Transitional relief**

On transition to FRS 102 from previous UK GAAP, the group has taken advantage of transitional relief as follows:

**Service concession arrangements**

The Group has chosen to apply transitional relief under Section 35.10 (i) Service concession arrangements – Accounting by operators and as a result it shall account for all its tangible assets which meet the definition of service concession arrangements under Section 34 but where the contract was entered into before the date of transition, using the same accounting policies being applied at the date of transition to FRS 102. This transitional relief applies to all of the Group's principal assets as at 31 August 2016.

**Business combinations**

The Group has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

**Investments in subsidiaries**

The Company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

**Hedge accounting**

The Group has adopted hedge accounting policies for all its hedging relationships existing on the date of transition which meet the qualifying criteria for hedge accounting to be applied under FRS 102 paragraph 12.18.